

**PARTNERSHIP AGREEMENT
BETWEEN THE
UNITED STATES DEPARTMENT OF AGRICULTURE
NATURAL RESOURCES CONSERVATION SERVICE
AND THE
UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
OFFICE OF WATER**

Purpose: To promote a long term working relationship between the U. S. Department of Agriculture, Natural Resources Conservation Service (NRCS), and the U. S. Environmental Protection Agency, Office of Water (EPA OW) on collaboration efforts to establish viable water quality credit trading markets.

Goals: NRCS and EPA OW have established the following partnership goals:

- To express mutual commitment to water quality credit trading;
- To coordinate related agency programs and activities;
- To support the establishment of water quality credit trading standards;
- To explore barriers to water quality credit trading and ways to overcome them; and
- To support a water quality credit trading pilot in a watershed within the Chesapeake Bay basin.

Implementation: We plan to achieve our goals by fostering a spirit of teamwork between our organizations at all levels. We will meet in partnering sessions as needed and convene monthly conference calls to ensure we are achieving our goals. This partnership agreement does not commit either NRCS or EPA OW to fund particular initiatives.

Effective Date: This Agreement is effective when signed by both parties and should be reviewed annually to renew our commitment and consider needed changes. This agreement may be modified or amended only through the written agreement of both parties. Either party may terminate this agreement by providing 30 days notice to the other party.

Limitations: This Agreement does not create any right or benefit, substantive or procedural, enforceable by law or equity against NRCS or EPA, their officers or employees, or any other person. This Agreement does not direct or apply to any person outside of NRCS and EPA.


United States
Department of Agriculture



MARK REY
Under Secretary
Natural Resources and Environment

Date: 10/13/06

United States
Environmental Protection Agency



BENJAMIN H. GRUMBLES
Assistant Administrator
Office of Water

Date: 10-13-06

**PARTNERSHIP PRINCIPLES
to accompany
PARTNERSHIP AGREEMENT
Between the
U. S. DEPARTMENT OF AGRICULTURE
NATURAL RESOURCES CONSERVATION SERVICE
And the
U.S. ENVIRONMENTAL PROTECTION AGENCY
OFFICE OF WATER**

I. Background

- A. The U.S. Department of Agriculture, Natural Resources Conservation Service (NRCS) provides technical and financial assistance to private landowners, State and local units of government, Tribes, and other Federal agencies through a partnership effort to conserve, maintain and enhance natural resources and the environment.
- B. The U. S. Environmental Protection Agency, Office of Water (EPA OW), oversees implementation of the Clean Water Act and regulations, which provides a basis upon which water quality trading between point and nonpoint sources can occur. EPA OW provides financial assistance, guidance, and training to support water quality credit trading.
- C. The NRCS and EPA OW (subsequently referred to as the Agencies) believe that market-based approaches, such as water quality credit trading, provide greater flexibility and have the potential to achieve water quality and environmental benefits greater than might otherwise would be achieved under traditional regulatory approaches.
- D. The Agencies have responsibilities for implementing policies and programs that encourage water quality credit trading. Both Agencies recognize that the policies, programs, plans, and activities that are used to implement their respective responsibilities may significantly affect efforts by the other agency to support water quality credit trading.
- E. The Agencies have opportunities to work collaboratively with each other to improve efficiencies and effectiveness of implementing water quality credit trading programs across the country. Cooperative management and technical assistance efforts can improve resources management and protection; improve public services; accelerate implementation where appropriate; provide better understanding of the Agencies goals, objectives, and programs; and help minimize conflicts.
- F. Each Agency will bear its own costs and retains full responsibility and authority to execute and accomplish its programs. All commitments are subject to the availability of appropriate funds. Nothing in this document shall be construed as authorizing either agency to provide any goods or services to the other agency or requiring that either agency enter into a contract, financial assistance agreement, interagency agreement or otherwise incur a financial obligation.

II. Purpose

Water quality credit trading is a flexible and cost-effective approach for achieving water quality standards and pursuing watershed goals. Private sector water quality markets complement existing federally supported conservation efforts by creating an additional revenue stream for water quality improvement. NRCS and EPA OW collaboration will better ensure that water quality credits produced by agricultural landowners are credible and verifiable, and may be used to offset regulatory requirements of industrial and municipal facilities. The Agencies acknowledge the importance of agreeing on basic elements and principles of water quality trading, and intend to work together to increase the viability and sustainability of water quality trading markets. The purpose of this Partnership Agreement between the Agencies is to:

- A. Coordinate both Agencies policies and activities in a manner that promotes the effective use of water quality credit trading as a means to accelerate improvements to the environment and water quality.
- B. Develop common definitions, common standards and common measurement protocols.
- C. Foster early identification of overlapping interests in the Agencies' grant and research programs and activities in order to minimize duplication and maximize program effectiveness, as related to water quality credit trading.
- D. Establish a framework for coordination and communication between Agency personnel at all levels.
- E. Identify program and project activities to support the use of water quality credit trading within the context of watershed planning, including related natural resource issues.

III. Areas of Cooperation and Mutual Interest:

Water quality credit trading may provide an alternative approach for regulated entities to comply with Clean Water Act regulations, where applicable and if consistent with EPA's Water Quality Trading Policy. Trading allows regulated entities to purchase pollutant reductions from other sources in their watershed. Cost savings and other economic incentives are key motivators for trading. Water quality credit trading can also provide additional environmental benefits, such as air quality improvements and creating and enhancing wildlife habitat. Listed below are areas of cooperation that the Agencies intend to pursue to aid in establishing a viable water quality credit trading market.

Practices and Terminology

- Clarify the definition and relationship between NRCS' Conservation Practices to EPA's Best Management Practices (BMPs).
- Collaborate in developing data and information pertaining to the effectiveness of various conservation practices in reducing nonpoint source pollution.

Programs and Projects

- Support development of a water quality credit trading pilot project, or related market-based project within the Chesapeake Bay basin.

- Include participation of both Agencies in the review process to select NRCS' Conservation Innovation Grants and EPA's Water Quality Trading Targeted Watershed Grants that pertain to water quality trading.
- Collaborate in the identification of meritorious trading programs for an EPA awards recognition program.

Monitoring and Modeling

- Collaborate in the development of methods and procedures to ensure water quality results are measured in an acceptable and credible manner.

Infrastructure

- Explore the feasibility and development of information infrastructure that would help advance water quality credit trading through promoting third-party aggregating, brokering, banking, and tracking mechanisms.
- Identify and remove regulatory or administrative barriers that impede the development of water quality credit trading markets while maintaining water quality standards.

IV. Communications and Coordination

- Establish monthly teleconference calls as 10:00 am (eastern) on the third Tuesday of each month, or another set time as needed no less frequent than monthly.
- Host annual partnering sessions to identify water quality credit trading goals for the coming year.
- Establish designated agency representatives for water quality credit trading and for implementation of this agreement.